Rumours of the death...

The death of the personal pension has recently been predicted but **Martin Tilley** of Sipps specialist Dentons disagrees. He believes that personal pensions have plenty of potential ahead.

Each month we ask an industry expert to raise an issue of importance for the whole financial services sector

At a recent retirement planning summit last month, Steve Bee, pension guru and managing partner at Paradigm, predicted the death of personal pensions and with it a dearth of business for the retirement planning adviser.

This, along with exams, the FSA's moving targets and the Financial Services Compensation Scheme (FSCS) levies, might be enough to turn even the most level headed away from the sector.

Although, I have never been employed as a Financial Planner I can sympathise with the profession. My own area of specialism - pensions - has seen almost continual change and advisers must now be well versed not only in this field, but also investment, tax, protection and so on. All is not doom and gloom however, and I would prefer to concentrate on the opportunities ahead rather than those lost. However, to know where you are going first requires you to understand where you have been and in this respect a review of the changed pension landscape would not go amiss.

When I joined the industry in 1982, pensions were governed by the Finance Act 1970. Personal pensions did not exist. Defined benefit pensions ruled the roost and indeed it was compulsory to join your employer's scheme. There was no requirement for AVCs or any other type of retirement planning. But by then compulsion was on the way out, personal pensions were in vogue and contracting out was firmly on the agenda.

Lautro (the Life Assurance and Unit Trust Regulatory Organisation) and Fimbra (Financial Intermediaries, Managers and Brokers Regulatory Association) ruled - as it turns out, poorly - and exams were encouraged but were not compulsory. Product innovation was in its infancy. Packaged insurance products were hugely expensive and non-transparent and the only available investment options were those tied to the generic funds of the provider. The only positive at this time was the annuity market, which for a while offered double digit yields. Jumping through the time machine

to the very recent past, pensions have evolved beyond all recognition. The reasons for this include social, economic and demographic change and a fixed retirement age that is no longer a final date of crystallisation. In addition, increased longevity means that low yielding gilt backed annuities no longer offer anywhere near attractive retirement options for most people.

So where are the opportunities?

Firstly, I believe that the Retail Distribution Review and the need for greater qualifications can only aid the adviser market. It may not, as yet, be sufficiently acknowledged but the reputation and skills of advisers have already increased and they will soon rank alongside other respected corporate professionals. The RDR has also required advisers to re-examine the method of their remuneration and the services provided. It has enhanced the adviser's ability to detail exactly what service they are offering.

Several that I have met with recently have split their services out and now offer such items as intellectual knowledge, risk assessment and reviews, regular products reviews and servicing, as well as the regular investment selection monitoring and ongoing investment management.

Martin Tilley of Sipp specialist Dentons

Armed with this and the newfound "intellectual knowledge" brought about by the recent changes in pension legislation there are good arguments for advisers to meet their corporate clients. These include, to advise them of the new auto enrolment rules and how it will have a bearing on their company finances, to review existing arrangements in place and to determine if these will meet the qualification requirements of auto enrolment legislation. Mention should be made of this being an opportunity to reinforce the importance of the pension as a recruiting tool as well as engaging their workforce in overall employer provided benefits.

The opportunity also affords itself to update senior managers and executives of the new levels of contributions and potential carry forward of relief from previous years. Many executives also remain uneducated about the flexibility and control of investments afforded by Self Invested Personal Pensions or Small Self Administered Schemes, or how these can assist in their corporate or personal tax planning. Fewer still are aware that new or existing arrangements could assist the business in the part or full acquisition of company premises or by lending funds back to the employer.

Pensions, and the multiple and frequent changes of complex legislation governing them, have caused this valuable tax advantaged benefit to be misunderstood and underused. They have travelled a long and rocky road but where they have now arrived at has never afforded advisers a greater opportunity to meet with their clients and offer a greater range of services.

Martin Tilley is director of sales & marketing, Dentons Pension Management

Biography

Martin Tilley is director of sales & marketing for Dentons Pension Management of Godalming, Surrey. Martin's responsibilities at Dentons include business development, marketing, product strategy and product development. He is also responsible for compliance. Martin qualified as an Associate of the Pensions Management Institute in 1994 and has over 28 years of self invested pension experience, with over 23 years at Dentons. He regularly writes articles for trade and industry publications and speaks on self invested pensions and industry issues. He was formerly a Sipp Adviser award winner.